

House of Representatives, April 2, 1998. The Committee on Judiciary reported through REP. LAWLOR, 99th DIST., Chairman of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT CONCERNING DISCRIMINATORY BANKING PRACTICES.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 (NEW) (a) Any mortgage broker or lender, as
2 defined in section 36a-485 of the general statutes
3 and licensed pursuant to section 36a-486 of the
4 general statutes, and any broker or lender, as
5 defined in section 36a-510 of the general statutes
6 and licensed pursuant to section 36a-511 of the
7 general statutes, shall notify the Commissioner of
8 Banking and the Commission on Human Rights and
9 Opportunities by written affidavit if any such
10 broker or lender, as a result of a transaction in
11 which such broker or lender was involved,
12 reasonably believes that the lending practices of
13 a financial institution or federal bank violate
14 section 36a-737 or 46a-66 of the general statutes.
15 Such broker or lender shall provide the
16 Commissioner of Banking and the Commission on
17 Human Rights and Opportunities with any written
18 document containing lending restrictions which a
19 financial institution or federal bank has provided
20 to such broker or lender.
21 (b) The Commissioner of Banking may suspend,
22 revoke or refuse to renew the license of any

23 broker or lender who violates subsection (a) of
24 this section.

25 JUD COMMITTEE VOTE: YEA 39 NAY 0 JFS

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"THE FOLLOWING FISCAL IMPACT STATEMENT AND BILL ANALYSIS ARE PREPARED FOR THE BENEFIT OF MEMBERS OF THE GENERAL ASSEMBLY, SOLELY FOR PURPOSES OF INFORMATION, SUMMARIZATION AND EXPLANATION AND DO NOT REPRESENT THE INTENT OF THE GENERAL ASSEMBLY OR EITHER HOUSE THEREOF FOR ANY PURPOSE."

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FISCAL IMPACT STATEMENT - BILL NUMBER SHB 5477

STATE IMPACT Potential Workload Increase, see
 explanation below

MUNICIPAL IMPACT None

STATE AGENCY(S) Department of Banking, Commission
 on Human Rights and Opportunities

EXPLANATION OF ESTIMATES:

The bill requires licensed first and second mortgage brokers and lenders to notify the banking commissioner and the Commission on Human Rights and Opportunities (CHRO) by written affidavit if the broker or lender reasonably believes the lending practices of a financial institution or federal bank violate an antidiscrimination statute.

There is a potential workload increase for the CHRO and the Department of Banking which would be receiving affidavits from brokers and lenders. Since the number of cases is anticipated to be small, it is expected that this responsibility can be handled within anticipated budgetary resources of both agencies.

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OLR BILL ANALYSIS

sHB 5477

AN ACT CONCERNING DISCRIMINATORY BANKING PRACTICES

SUMMARY: This bill requires a licensed first- and second-mortgage broker or lender to notify the banking commissioner and the Commission on Human Rights and Opportunities (CHRO) by written affidavit if, as a result of a transaction in which the broker or lender was involved, he reasonably believes the lending practices of a financial institution or federal bank violate an antidiscrimination statute.

Current law prohibits certain types of discrimination and requires disclosures about loan practices but does not require a broker or lender to notify the state of discriminatory practices. It is the banking commissioner's policy that licensed brokers and lenders should notify the state.

Under the bill, the mortgage broker or lender must also provide the commissioner and the CHRO with any written documents containing lending restrictions which a financial institution or federal bank has provided to the broker or lender.

The bill allows the commissioner to suspend, revoke, or refuse to renew the license of any broker or lender who violates these requirements.

EFFECTIVE DATE: October 1, 1998

FURTHER EXPLANATION**Discrimination**

The bill requires the reporting of violations of two existing antidiscrimination statutes:

1. prohibiting a creditor from basing credit decisions on sex, age, race, color, religious creed, national origin, ancestry, marital status, mental retardation, learning disabilities, blindness, or physical disability; and

2. on mortgage loans for one-to-four-family owner-occupied residential property, prohibiting a financial institution or federal bank from discriminating on a basis that is arbitrary or unsupported by a reasonable analysis of the lending risks associated with the applicant solely because the property involved is in a low or moderate income neighborhood or geographic area.

Mortgage Lenders and Brokers

First- and second-mortgage lenders and brokers operating in this state must be licensed unless they are specifically exempt. A mortgage broker is anyone who, for a fee or other consideration, negotiates, solicits, arranges, places, or finds a first or second mortgage loan which is to be made by a lender. A mortgage lender is anyone engaged in the business of making first- or second-mortgage loans.

Financial Institutions and Federal Banks

The bill incorporates several existing definitions. The term financial institution is defined in CGS Sec. 36a-736, which applies to the mortgage loan antidiscrimination statute referred to by the bill. Financial institutions are any Connecticut bank or Connecticut credit union making home purchase and home improvement loans or any other for-profit licensed mortgage lending institution with home purchase loan originations that amount to at least 10% of the dollar value of its total loan origination volume.

CGS Sec. 36a-2 defines federal bank for purposes of the banking law of Connecticut as a national banking association, federal savings bank or federal savings and loan association having its principal office in this state.

The other antidiscrimination statute referred to by the bill applies to all creditors. A creditor is defined as any person who regularly extends or arranges for the extension of credit for which the payment of interest or a finance charge is required whether in connection with loans, the sale of property, services or otherwise.

BACKGROUND**Disclosures**

The banking industry is regulated on both the state and national levels. Current state law requires disclosures by financial institutions of many banking practices to the banking commissioner, including the disclosures required by the federal Home Mortgage Disclosure Act. That act requires the collection of data on home purchase and home improvement loan applicants including the amount of the loan requested, the action taken on the application, the location of the property involved, and the race, national origin, sex, and income level of the applicant.

COMMITTEE ACTION

Judiciary Committee

Joint Favorable Substitute
Yea 39 Nay 0